Okanagan Valley Tree Fruit Authority

Annual Report

2001/02

July 2002

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OKANAGAN VALLEY
TREE FRUIT AUTHORITY

A British Columbia Crown Corporation

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Message from the Chair

We are pleased to report that 574 acres comprised of 250 acres of apples and 324 acres of soft fruit were replanted in 2001. This has increased to over 750 acres in 2002. The profile of British Columbia orchards is changing rapidly. Apple orchards are being replanted at increasingly higher densities with the favoured varieties, at this time, being Ambrosia and strains of Royal Gala. New cherry orchards have developed a prominence not seen for several decades. Many new tree fruit varieties, particularly those of the cherries, have been developed at Canada's Pacific Agriculture Research Centre. We find it encouraging that visitors from competitive tree fruit producing areas have observed that BC's tree fruit industry has achieved a degree of vitality that they have lost.

Fresh fruit continues to be available to consumers in abundance, improved quality and increasing variety. Many other snack foods are also competing for the same consumer dollar. Successful tree fruit growers around the world understand and are responding to this reality. We are pleased that British Columbia growers are among the leaders.

The OVTFA Replant Program is assisting the change to new varieties and improved quality. There is, however, much more than just replanting to the changes underway. BC growers are leading North America, in quality control and environmentally responsible production at the orchard, with the introduction of Integrated Fruit Production (IFP) methods. As part of IFP, our Sterile Insect Release Program (SIR) is providing effective control of the major apple and pear pest, the codling moth, without the use of toxic pesticides.

The OVTFA is pleased with the progress made to date. We are also proud of our careful management of the resources with which we have been entrusted. We are confident that there will be increasing progress for the balance of our mandate.

Robert F. Dawson, Chair

Organization Overview

Background

In 1990, the Report of the Commission of Inquiry – British Columbia Tree Fruit Industry documented a growing financial crisis in the province's tree fruit industry. While many BC orchards were older and producing fruit varieties that did not return the cost of production, global markets were becoming increasingly competitive, world tree fruit prices were falling, and the financial outlays involved in replanting orchards, adopting new technology were prohibitive. There was a clear need for fundamental, long-term changes to the industry.

In response to the situation and to the commission's report, the government of British Columbia created the Okanagan Valley Tree Fruit Authority (OVTFA) with a 10-year mandate to ensure an efficient and coordinated approach to the revitalization and transformation of the interior tree fruit industry.

In the fall of 1996 funding was reduced and all programs except the replant program were eliminated. In early 2000, broad consultations were carried out to help the tree fruit industry develop and refine its revitalization plan, and to bring community and local business concerns together. With the information from the consultations, and a positive review of the replant program, the OVTFA mandate was extended, through to March 31, 2006, supported by a $25 million government funding commitment.

Legislated Functions

The corporation's mandate, as stated in the *Okanagan Valley Tree Fruit Authority Act* (RSBC 1996, Chapter 339) is "to ensure an efficient and coordinated approach to the revitalization and transformation of the Interior tree fruit industry to ensure a strong, dynamic and competitive tree fruit industry."

Further, the purpose of the corporation is to:

- assist in the rehabilitation and improvement of orchard land and orchards,
- develop and operate programs to improve productivity of the tree fruit industry and the marketability of tree fruit,
- commission applied research into production and marketing,
- provide for the training of growers and farm workers, and
- subject to the regulations, assist growers, packinghouses, processors and marketing enterprises by providing advice and assistance.

Public Policy Role

The OVTFA is the lead provincial government agency responsible for the revitalization of the tree fruit industry. The Ministry of Agriculture, Food and Fisheries contribute to the success of the tree fruit industry by providing support, including risk management programs and advisory services. For the OVTFA to successfully meet its mandate, it is important that these resources are coordinated and focused in an efficient and accountable manner. While the OVTFA is the lead agency, the ministry programs are delivered independently; this coordination therefore requires effective communication and cooperation. The industry also provides resources that need to be recognized and effectively integrated into the program initiatives.

The Minister of Agriculture, Food and Fisheries and the Chair of the OVTFA have signed a Letter of Shareholder's Expectations that outlines the government's expectations and agreed-upon oversight between the government and the corporation.

Program Profile

The OVTFA encourages growers to replace older, lower-quality inefficient orchard plantings with plantings at higher densities (1000 to 2000 trees/acre vs. 200 trees/acre) of varieties favoured by the marketplace. It assists growers to adapt to changing consumer preferences, to increasing competition and to the requirement for new knowledge. It also assists growers to make the most cost-effective use of the tree fruit land base.

The major initiative of the OVTFA is orchard renovation with the main component being the Replant Program. The Replant Program provides growers with a grant covering approximately 1/3 of the cost of replanting (e.g. initial replant costs for one acre of apples is approximately $20,000). Capital costs and grants for replanting soft fruit (cherries, peaches etc) are lower but are in the same ratio. Growers may receive an advance to assist with nursery stock purchases ordered 2 to 3 years prior to planting to ensure that the right nursery stock is available. In 2001, a Grafting/budding program was introduced to assist growers to upgrade orchards to higher value varieties and strains. Grafting is a cost efficient program since growers can adapt existing plantings and infrastructure to higher value varieties and strains with a lower capital outlay.

It takes up to five years for a replanted orchard to reach full production after two to three years devoted to planning including advance ordering of the required nursery stock. Accordingly, OVTFA approves replant applications before trees go into the ground (e.g. applications for 2005 are already being approved).

Approximately 7,000 acres (2920 hectares) have been replanted to-date. This represents an investment by the growers of an estimated $90 million with a government investment of approximately $30 million. By March 2006, the OVTFA intends to reach its target of 10,000 acres of renewed orchards in place to ensure the sustainability of the Okanagan tree fruit industry. To date 853, or 77%, of the approximate 1100 eligible growers have participated in the program.

The OVTFA is also the lead provincial agency for the Sterile Insect Release Program (SIR). SIR is an initiative that applies nature-friendly technology to the control of the codling moth, the tree fruit industry's most damaging pest. In the southern Okanagan, where the program is fully implemented, it has resulted in an 82% reduction in the highly toxic organophosphates sprays that are used to control the codling moth. As a measure of the programs effectiveness; ninety-six percent of harvest samples in this region have no codling moth damage. The program is beneficial to growers and urban owners of backyard trees alike. SIR is unique and is lauded internationally as an environmentally sensitive solution to a major problem.

The program was established in 1993 and is funded by a general property tax paid by all residents of the regional districts and by an acreage tax assessed on apple and pear orchards. Over the past years, the federal and provincial governments have provided additional funding. The OVTFA continues to play an important role in the implementation of the SIR program. Through participation on the Board of Directors, the OVTFA inputs into the implementation decisions and monitors the program to ensure that the provincial investment is protected. The OVTFA also ensures the effective coordination of provincial government resource input.

Program Delivery

The Core Review Task Force recommended that the orchard replant program be continued through to 2005 and the Okanagan Valley Tree Fruit Authority (OVTFA) continue to deliver this program conditional on the Ministry of Agriculture, Food and Fisheries (Ministry) being able to fund the program within its assigned budget target.

The OVTFA Service Plan 2002/03 – 2004/05 was tabled in the Legislature by the Minister of Finance and sets out funding of $8.65 million in 2002/03 and 2003/04. The OVTFA had planned to use these funds and any reserves to deliver a replant program for 2002, 2003, 2004 and 2005 to enable the corporation to meet its replant program target.

The OVTFA has now been advised that, because the OVTFA expenditures are included in the accounting of government expenditures these expenditures must be concluded by March 31, 2004, if the Ministry is to meet its budget targets. To enable the OVTFA to meet the replant targets agreed to by the Core Review Task Force and meet the financial commitments made to growers planning to replant in 2004 and 2005 the OVTFA will establish a private public partnership. This partnership will enable the OVTFA to meet the acreage targets approved during the Core Review Process, meet the financial commitments made to growers who have made commitments to replant in 2004/05 and 2005/06 and complete the OVTFA mandate of industry revitalization. The current management of the OVTFA will be part of this partnership ensuring that continuity and efficiency is maintained.

Strategic Context - Corporate Profile

Vision

In 2006 the Okanagan Valley Tree Fruit Authority will have completed its mandate and the British Columbia tree fruit industry will have a core of profitable commercial operators making the best use of their land and resources to produce high-quality products. It will be market-oriented in both growing and processing. Growers will be motivated and equipped to meet the challenges of a rapidly changing marketplace.

Mission

The mission of the OVTFA is to enable and encourage fruit growers to renovate their industry to renewed efficiency and profitability.

Values

The operations of the OVTFA are guided by the following values:

- ***open, meaningful communications*** with industry stakeholders, the government and the public, as a prerequisite to industry revitalization
- ***partnerships and alliances*** with industry, government, and the public to build long-term revitalization solutions
- ***sustainable revitalization*** through environmentally responsible programs
- ***integrated revitalization*** that is mindful of the tree fruit industry's importance as part of the physical, social and economic structure of the B.C. Interior of British Columbia
- ***people are an important resource*** in the tree fruit industry, and must be considered in the development of all policies and programs
- ***financial stewardship*** ensures that public funds are used carefully and with due respect so that industry and the public receive the maximum benefits from available resources.

The Year In Review

Current Situation

For almost 100 years, the tree fruit industry has been a driving economic and social influence in the southern Interior of B.C. A vibrant, competitive tree fruit industry is a central factor in sustaining the resource land base and overall agricultural productivity of the Okanagan, Similkameen and Creston regions.

BC's tree fruit industry operates in a global market with the production and quality of fruit from other production areas impacting grower returns. Washington State is BC's biggest competitor with apple production approximately 15 to 20 times larger. The main Washington State variety is Red Delicious. Red Delicious is rapidly losing favour with many consumers and with the loss of Asian markets to Fuji apples from China there is large overproduction of this variety. In 2000/2001 Washington State reduced apple acreage by 10 percent or 20,000 acres. As the result of biennial bearing in 2001 production is expected to decline by 20%. Total US production is forecast to be 15% lower.

Red Delicious apples sales are also under pressure from domestic consumers who are favouring newer varieties such as Gala and Fuji. Washington State is well suited to Red Delicious production but not as well matched for many new varieties. BC's cooler climate provides a competitive advantage for many newer varieties such as Royal Gala. However, too many older inefficient orchards remain and over 25% of total production remains in Red Delicious. BC Red Delicious apples are, for the majority, not competitive with Washington State Red Delicious apples.

Soft fruit production and, in particular, cherries, are an increasingly important commodity for BC and account for 33% of total grower returns. BC is well suited to the production of late season, high quality, cherries now sold in global markets.

Key Strategic Issues

The **key strategic issues** that affect the OVTFA's ability to meet its mandate include the following:

- Current reduced grower returns from traditional varieties have a negative impact on the corporation's ability to meet the target of having industry replant 2,500 acres (1000 hectares) over the next three years. Reduced returns make it more difficult for growers to make the investment required to replant their orchards.
  Total industry returns in 2000 were $45 million down significantly from the average and this is the major factor in the reduction in the amount of replanting from the forecast 650 acres (263 hectares) to 574 acres (240 hectares). It was encouraging to note that even with the reduction in grower incomes they invested over $8.6 million in revitalizing their orchards. Total industry returns for the 2001 crop are projected to be $65 million.

- The need to build confidence among growers and nursery stock suppliers to ensure that adequate stocks are available to support the replant program.
  The reduction in acreage was also the result of growers not being able to obtain suitable nursery stock. The OVTFA Replant Advance Program and the confidence by the nursery stock suppliers as the result of the announcement that the Replant Program will be available for the next fours years will ensure that growers have the nursery stock that they require. It is encouraging to note that in 2002 growers will have replanted over 750 acres.

- Reduced grower returns also affect the ability of growers to fund the SIR program. At the same time, consumer preference for environmentally sensitive products continues to increase.

- More than ever, all available technical, training and marketing resources need to be coordinated and targeted to meet the needs of growers.

- Following the decision to continue its mandate, the OVTFA must continue to have in place the financial, personnel and administrative support services to enable it to achieve its mission and meet government accountability and budget transparency objectives in a timely, cost-efficient manner.

- Given the need to conclude expenditures by March 31, 2004, the OVTFA must put in place the necessary arrangements to ensure that the replant targets agreed to in the Core Review Process and the financial commitments made to growers are met. This issue needs to be resolved so that information can be available to the growers and other industry stakeholders. The lack of information makes it difficult for growers to plan their 2004/05 and 2005/06 replant projects.

Performance Assessment Framework

Goals, Objectives, Key Strategies and Performance Measures

Orchard renovation continues as the major element in the revitalization plan for the tree fruit industry. Two things are critical to the future competitiveness of this sector: replanting older, lower-valued varieties to new varieties at high densities, and managing orchards to produce higher-quality products.

STRATEGIC GOAL: To coordinate and assist with the revitalization of the tree fruit industry into a strong and dynamic industry.

Strategic Objective 1: Improve the productivity and the economic and environmental sustainability of the orchard production base.

Key Strategy	*Performance Measure*
▪ Provide financial assistance through the effective delivery of the Replant and Grafting/budding program , to enable growers to replant their orchards with high-density plantings that will produce higher returns.	***Output measure*** ▪ In 2001, 650 acres (263) hectares) are replanted and growers have invested approximately $9.8 million in revitalizing their industry. ***Results*** ▪ 574 acres (240) hectares) were replanted reflecting the reduced industry returns from the 2000 crop and the impact that the uncertainty regarding the extension of the program had on the availability of nursery stock. (see Key Strategic Issues for further details). ***Output measure*** ▪ In 2001, 40 acres (17 hectares) of orchards are renovated under the Grafting/budding program to higher market value varieties. ***Results*** ▪ 38 acres (16 hectares) were renovated.

	Output measure ▪ The Replant Advance Program is developed and in place by June, 2001. ***Results*** ▪ The Replant Advance Program is in place and enables growers and nurseries to ensure that the required nursery stock is in place by providing growers with funding to place deposits on advance orders. This enables the nurseries to begin the process to have the required nursery stock available at the time of planting. The amount advanced is deducted from the growers replant grant.
	Outcome measure ▪ Replanted orchards have higher returns than conventional orchards, within five years of replanting. ***Results*** ▪ New apple plantings are returning $11,200/acre ($26,880/hectare) compared to old variety plantings of $3,200/acre ($7,680/hectare). New cherry plantings are returning $12,700/acre ($30,480/hectare) compared to returns from old plantings of $7,700/acre ($18,480/hectare). ***Outcome measure*** ▪ Replanted orchards have reduced irrigation water demand and reduced or nil contribution of nutrients to receiving waters ***Results*** ▪ Research at Pacific Agri Research Centre in Summerland shows that drip irrigation (used in high density plantings reduced water and nitrogen usage 40% and 57% respectively.
Key Strategy	***Performance Measure***
Coordinate provincial resources to support the successful implementation of the Sterile Insect Release (SIR) Program to better position tree fruit products in the marketplace and improve the regional environment through the reduction in pesticide use.	***Output measure*** ▪ The OVTFA coordinates a SIR technical oversight review completed by September 2001. ***Results*** ▪ Technical oversight review was completed and showed that the program could operate effectively post 2005 without financial support from the federal and/or provincial government.

	Output measure ▪ Given a positive oversight review, the OVTFA develops and delivers a SIR compliance grant program by 2001. ***Results*** ▪ As part of the review it was shown that funding deficit exists for the next 5 years. The provincial and federal governments agreed to cover this deficit on the agreement that the growers would provide their funding without an offsetting compliance grant. The OVTFA provided the SIR Board with a grant of $884,000 representing the provincial share of the five year deficit funding. ***Output measure*** ▪ By 2006, Organophosphate pesticide is reduced to zero from the 86,000 kg used currently. ***Results*** ▪ Sales of organophosphate in Zone 1 and Zone 2&3 were 82% and 51% lower respectively than before the initiation of the SIR program.
	Outcome measure ▪ The SIR Program is in place, and marketers are able to quote, in their marketing programs, the benefits of the Integrated Fruit Production program that is possible because of the reduction in pesticides. ***Results*** ▪ The BC Fruit Growers' Association has launched a "Growing with Care" program to use the benefits of the SIR program to assist growers in marketing their fruit. ***Output measure*** ▪ Regional environment improved as the result of elimination of toxic pesticides. ***Results*** ▪ Long term benefits are difficult to evaluate but the removal of this level of toxic chemicals from the environment is significant.

Strategic Objective2: Knowledgeable and motivated orchardists are meeting the challenges and directing the future of a rapidly changing industry.

Key Strategy	*Performance Measure*
▪ Facilitate the coordination of industry information sources to provide orchardists with technical information on replanting, marketing and variety selection.	***Output measure*** ▪ The OVTFA, with industry, jointly funds a study to examine the tree fruit situation, to provide growers with a guide to the future for each sector and variety. ***Results*** ▪ Following the Core Review the OVTFA eliminated this strategy but did hold a series replant seminars. At these seminars presentations were given on variety selection, production techniques and economics. The OVTFA is establishing a web site in partnership with the Ministry to provide growers with technical information. ***Output measure*** ▪ The OVTFA hosts an industry strategy session to examine the tree fruit situation and set out priorities. ***Results*** ▪ See Results above. ***Output measure*** ▪ By April 2002, the OVTFA develops and implements a plan to coordinate industry resources. ***Results*** ▪ See Results above.
	Outcome measure ▪ Orchardists are more knowledgeable about replanting, marketing, and variety selection, as measured by a grower survey in 2003. ***Results*** ▪ See Results above.

Strategic Objective 3: The financial, personnel and administrative support services are in place to enable the corporation to achieve its mandate, provide an effective level of probity and stewardship of financial resources and meet government accountability and budget transparency objectives.

Key Strategy	*Performance Measure*
▪ Provide effective administrative services in a cost-efficient manner.	***Output measure*** ▪ By April 1, 2001, the OVTFA has in place the staff and performance plans it needs to meet its increased workload. ***Results*** ▪ The program and staff are in place to meet the increased workload and financial commitments. ***Output Measure*** ▪ The OVTFA completes its performance plans, annual reports, financial statements, and other reporting instruments on time and in a professional manner. ***Results*** ▪ Quarterly statements, including comparative reports with the previous year, were submitted to the Office of the Comptroller General on time. ▪ The "Statement of Financial Information" was prepared and submitted to the Office of the Comptroller General on time. ▪ The *Service Plan 2002/03 – 2004/05* was prepared and submitted in compliance with the *Budget Transparency and Accountability Act.* ***Outcome measure*** ▪ OVTFA delivers programs efficiently within a targeted cost of 4 to 5 percent. ***Results*** ▪ Program delivery and administration costs were 5 and 3 percent respectively of total program costs.

	Outcome measure ▪ OVTFA external audits show that the corporation is meeting its probity and financial stewardship objective. ***Results*** ▪ The external auditor's report of the fiscal year end financial statements was unqualified. The auditor's management letter confirmed that the financial administration was conducted in a manner that met the corporation's commitment to the highest level of fiscal probity and stewardship.

Financial Report

Management Discussion and Analysis

A major performance target for the OVTFA is to foster a competitive and self-reliant tree fruit industry that is not dependent on government ad hoc assistance programs. The tree fruit industry has received extensive income enhancement funding in the past. In the period from 1986 to 1990 total government assistance averaged $18 million per year with the majority of these payments being production subsidies to growers to offset low market returns. This level of assistance has now been reduced to less than $12 million and once the revitalization program is completed government expenditures should be less than $8 million.

A second performance target is to ensure that there is a value-added production base (10,000 acres of high density plantings of varieties with high market demand) capable of sustaining a viable packinghouse, processing and marketing infrastructure. The tree fruit industry is an important contributor to the Okanagan and provincial economy. The replant program ensures that this industry is sustainable. It is estimated that the industry requires 5 million boxes of apples to maintain a viable packing and marketing infrastructure. In 2001/02 over 1.5 million of the total 5.5 million boxes packed and marketed were from new high value plantings. The majority of the new plantings are only now reaching full production and during the next five years, as these plantings come into full production, they will ensure the sustainability of the tree fruit industry.

As noted in the Key Strategic Issue section the OVTFA has a major challenge to fulfill the commitments made to grower by developing an acceptable process for delivering the 2004/05 and 2005/06 replant program while ensuring that it does not impact on the Ministry's budget targets.

Statement of Corporate Governance Practices

Duties of the Board

The board of directors, that is appointed by government and reports to the Minister of Agriculture, Food and Fisheries, establishes the OVTFA's overall business direction and defines its long-term priorities, objectives and key strategies.

Corporate Organization

The activities of the OVTFA are directed by the president and chief executive officer (CEO). The CEO is responsible for implementing the policy and direction established by the board of directors. A three-person administration team directs the day-to-day affairs of the OVTFA.

Ethical Guidelines

The board of directors has adopted and follows a Code of Conduct and a conflict of interest policy. Management also has and follows similar ethical guidelines.

Remuneration Policy / Executive Compensation Guidelines

The OVTFA's current practice is to compensate board members at the rates set by Treasury Board. OVTFA staff is compensated at rates comparable to those recommended by the B.C. Public Sector Employers Council/Public Sector Employee Relations Commission.

Directors and Officers

Robert Dawson has been chair of the OVTFA since it was created in 1990. He operates a 100-acre (41-hectare) orchard with his brother in the Cawston area of the Similkameen region. The Dawson orchard is noted for successfully employing high-density plantings. Mr. Dawson is active in industry affairs: in addition to his work with the OVTFA, he serves as a director of the Okanagan Similkameen Growers Cooperative Association and of Sun-Rype Products Ltd.

Lakmar (Al) Klar has owned and managed a family orchard in Keremeos for 30 years. He is also the owner and manager of a successful manufacturing operation in Summerland, with branch operations in Edmonton and the United States. Mr. Klar is active in the Summerland Chamber of Commerce.

Jim Kemes recently retired as manager of the Okanagan Similkameen Growers Cooperative Association. He has also served on the boards of BC Tree Fruits Ltd. and Okanagan Federated Shippers' Association. Mr. Kemes is currently a director of the Oliver Credit Union.

Joan Sarrell grew up on a tree fruit farm in the Oliver area. Today, she is general manager of Southwind Inn in Oliver. Ms. Sarrell has served as vice-president of the British Columbia and Yukon Hotels' Association and the Okanagan-Similkameen Tourist Association.

Sharon Shepherd is a City councillor in Kelowna and a director of the Central Okanagan Regional District. She chairs the Cities Heritage Commission, the Sports Tourism Committee, and the region's Air Quality and Parks committees.

Ross Husdon, P.Ag., President and Chief Executive Officer has served as president and chief executive officer of the OVTFA since it was created. He is also the chair of the British Columbia Marketing Board and the Farm Practices Board.

OKANAGAN VALLEY TREE FRUIT AUTHORITY

Financial Statements

MARCH 31, 2002

Harvey Lister Inc

Harvey
Lister
The Sum of Excellence

Harvey Lister Inc.

ertified General Accountants
Bob Harvey, BSc, CGA
Colleen Lister, CGA

Phone
250.492.8821

Fax
250.492.6921

Address
445 Ellis Street
Penticton, BC
V2A 4M1

E-mail
Bob@HarveyLister.com
Colleen@HarveyLister.com

World Wide Web
www.HarveyLister.com

AUDITORS' REPORT

To the Directors of Okanagan Valley Tree Fruit Authority

We have audited the balance sheet of Okanagan Valley Tree Fruit Authority as at March 31, 2002 and the statements of revenue and expenditure and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Harvey Lister Inc.

Penticton, BC
May 15, 2002

CERTIFIED GENERAL ACCOUNTANTS

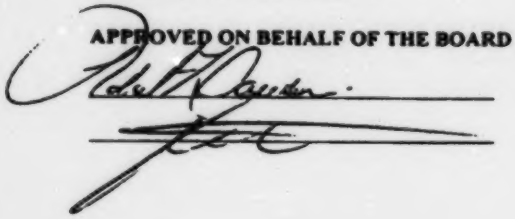
STATEMENT A

OKANAGAN VALLEY TREE FRUIT AUTHORITY
BALANCE SHEET
MARCH 31, 2002

	2002	2001	2000
ASSETS			
CURRENT ASSETS			
Cash	$ 64,103	$ 30,002	$ 49,311
Accounts receivable	65	1,965	4,937
Grant advances	181,154	-	2,384
Prepaid expenses	1,889	1,800	874
Short-term investments - Note 3	5,021,247	4,615,169	1,065,207
	5,268,458	4,648,936	1,122,713
LONG-TERM ASSETS			
Grant advances	209,722	-	-
CAPITAL ASSETS - Notes 2 & 4	35,322	46,504	15,618
	$ 5,513,502	$ 4,695,440	$ 1,138,331
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 69,877	$ 49,364	$ 18,841
Grants payable	214,242	92,722	485,857
	284,119	142,086	504,698
EQUITY			
RETAINED EARNINGS			
Appropriated - Note 5	-	750,000	-
Unappropriated	5,229,383	3,803,354	633,633
	5,229,383	4,553,354	633,633
	$ 5,513,502	$ 4,695,440	$ 1,138,331

GUARANTEES - Note 6

APPROVED ON BEHALF OF THE BOARD



See accompanying notes to financial statements

Harvey Lister Inc.

OKANAGAN VALLEY TREE FRUIT AUTHORITY
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001	2000
REVENUE - Note 7	$ 6,068,728	$ 7,464,591	$ 6,869,828
EXPENDITURE			
Orchard Renovation			
Replant Grant Program	2,747,451	2,089,701	1,620,841
Grafting Program	64,021	-	-
Transitional Production Adjustment Program	1,378,719	971,837	4,225,624
Replant Advance Program	13,932	-	-
Sterile Insect Release Program	935,598	290,757	151,000
Information Program	104,885	-	-
Total Orchard Renovation	5,244,606	3,352,295	5,997,465
Administrative Costs	148,093	192,575	102,990
	5,392,699	3,544,870	6,100,455
EXCESS OF REVENUE OVER EXPENDITURE	676,029	3,919,721	769,373
RETAINED EARNINGS (DEFICIT), beginning of year	4,553,354	633,633	(135,740)
RETAINED EARNINGS, end of year	$ 5,229,383	$ 4,553,354	$ 633,633

See accompanying notes to financial statements

STATEMENT C

OKANAGAN VALLEY TREE FRUIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001	2000
OPERATIONS			
Receipts from revenue	$ 6,070,628	$ 7,467,563	$ 6,866,109
Payment of grants	(5,183,208)	(3,614,176)	(5,415,188)
Payments to suppliers for goods and services	(242,342)	(212,547)	(151,628)
Payments to and on behalf of employees	(200,747)	(57,077)	(49,291)
CASH PROVIDED	444,331	3,583,763	1,250,002
INVESTMENTS			
Proceeds from (purchase of) capital assets, net	(4,152)	(53,110)	(960)
CASH USED	(4,152)	(53,110)	(960)
INCREASE IN CASH	440,179	3,530,653	1,249,042
BEGINNING CASH	4,645,171	1,114,518	(134,524)
ENDING CASH	$ 5,085,350	$ 4,645,171	$ 1,114,518
REPRESENTED BY			
Cash	$ 64,103	$ 30,002	$ 49,311
Short-term investments	5,021,247	4,615,169	1,065,207
	$ 5,085,350	$ 4,645,171	$ 1,114,518

See accompanying notes to financial statements

OKANAGAN VALLEY TREE FRUIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002

Note 1 AUTHORITY AND RELATED PARTIES

The Okanagan Valley Tree Fruit Authority Act came into force on August 10, 1990. The mandate of the Authority is to ensure an efficient and co-ordinated approach to the revitalization of the tree fruit industry in the Interior of British Columbia. The Okanagan Valley Tree Fruit Authority Act, originally prescribed for repeal on December 31, 2000, was extended to March 31, 2006 by Order of the Lieutenant-Governor in Council on March 30, 2000. A Memorandum of Understanding between the Authority and the Ministry of Agriculture, Food and Fisheries, Province of British Columbia, defines the roles and responsibilities of each organization, and effective April 1, 2001, a Letter of Shareholder's Expectations formalizes the relationship between the minister responsible and the chair of the Authority, and outlines government's expectations and the agreed upon level of oversight.

The Authority carries out its responsibility for the revitalization of the tree fruit industry principally through its Orchard Replant Program, its Transitional Production Adjustment Program (TPAP), and through funding provided to the Sterile Insect Release Program.

The Authority receives the majority of its revenue from the Province of British Columbia, on which it is dependent for the continuance of its operations. The Province is currently in the process of conducting a comprehensive review of its finances and, although the Core Review process has endorsed the need for the orchard renovation program, decisions made pursuant to the review could result in changes to the Authority before March 31, 2006.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

a) Capital Assets

Assets with a cost of $500 or greater are capitalized in the year of acquisition and amortized in accordance with their estimated useful lives and residual values.

b) Amortization

Amortization of capital assets has been recorded using the declining balance method at the following annual rates:

Furniture and equipment	20 %
Computer equipment	30 %

c) Related Parties

The Authority is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

d) Revenue

All revenue is recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Note 8 PENSION PLAN

The Authority and its employees contribute to the Public Service Superannuation Plan administered by the British Columbia Pension Corporation. The Plan is a defined benefit pension plan, and the Province of British Columbia has statutory responsibility for any unfunded actuarial liability of the Plan. Each employer expenses contributions to the Plan in the year in which payments are made.

Note 9 COMPARATIVE FIGURES

The comparative figures have been reclassified where applicable, to conform to the presentation adopted for the current year.

How to Contact the OVTFA

For further details about the Okanagan Valley Tree Fruit Authority and its work, please contact us:

Toll-free:	1 800 665-5254
Locally:	250 494-5021
By fax:	250 494-5024
On the web:	http://www.gov.bc.ca/agf

Research Station
Box 6000
Summerland, B.C.
V0H 1Z0

In person: Pacific Agri-Food Research Centre
4200 Highway 97
Summerland, B.C.